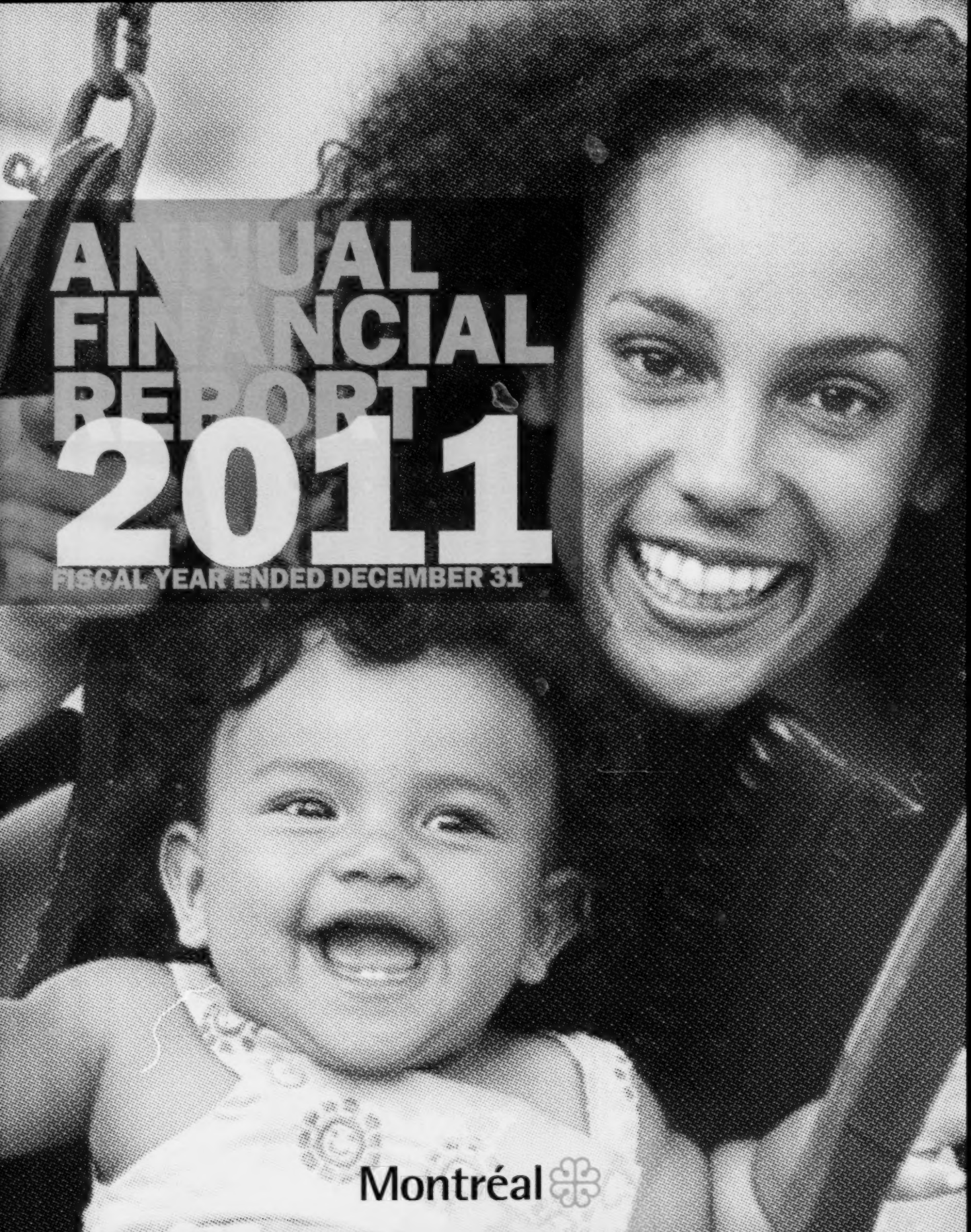

ANNUAL FINANCIAL REPORT 2011

FISCAL YEAR ENDED DECEMBER 31

Montréal

Prepared by the Service des finances, Direction de la comptabilité et du contrôle financier

ANNUAL FINANCIAL REPORT

2011

FISCAL YEAR ENDED DECEMBER 31

DEPOSITED AT THE CITY CLERK'S OFFICE OF THE
VILLE DE MONTRÉAL ON MAY 31, 2012

Montréal

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2011
Introduction

Message from the Mayor and from the Chair of the Executive Committee, Responsible for Finance

Dear Fellow Residents,

Montréal's 2011 fiscal year, excluding municipally controlled agencies, ended with a slightly better than $79 million surplus. Of this amount, $26 million was generated by the central city's financial activities and $53 million by those of the boroughs.

This surplus demonstrates that the broad process of consolidating municipal finances we launched in 2011 has paid off. Last year's cost-cutting measures produced savings of $130 million, kept the budget balanced, greatly shaped our budgetary decisions and enabled us to avoid excessive tax hikes for 2012.

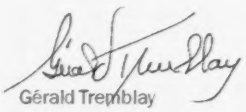
The boroughs' surplus primarily resulted from higher-than-expected licence and permit revenues, thanks to Montréal's booming property market. This is excellent news. Furthermore, the financial implications of a favourable decision in the long-standing dispute between the Régie intermunicipale de gestion des déchets sur l'île de Montréal and the firm Foster Wheeler also contributed to the boroughs' excellent figures.

With 2011 results in, the boroughs will have an accumulated surplus of more than $190 million, or 19% of their budget. This gives them considerable leeway for meeting contingencies. However, the central city's surplus is equal to 0.5% of its total budget. Consequently, our Administration promptly implemented a belt-tightening plan to maintain our balance between revenues and expenditures. As we know, the city is required to keep a balanced budget.

Our prudent financial management and compliance with our budgetary targets has recently been recognized by such ratings agencies as Moody's, which once again set the city's credit rating at Aa2, for what is now the seventh year in a row. Furthermore, the perspective for retaining this rating remains stable. Despite great media attention to the impact of credit ratings on public and institutional economies, we are delighted by this positive outlook for our credit rating, enabling us to save taxpayers millions of dollars in interest charges.

To preserve this balance and ensure that we can follow through on our projects, we must not only control costs and expenditures, but act decisively. We must continually build on our efforts to increase operational efficiency through optimization projects, downsizing and revised borough funding. We must also cap the constantly growing costs of our pension plans. These priorities constitute the true gauges of success in preserving quality services and an outstanding living environment for Montrealers at low cost.

Mayor of Montréal



Gérald Tremblay

Chair of the Executive Committee, Responsible for Finance

Michael Applebaum

Message from the City Manager and from the Treasurer

Ladies and Gentlemen,

The financial statements we are submitting on this day of May 31, 2012 present a faithful portrait in their consolidated version of the city's financial activities for the 2011 period. The statements cover all accounts of the entity constituting the city and the agencies it controls. We will focus here only on the results for the municipal entity: the city administration, excluding controlled agencies.

As at December 31, 2011, the city had posted a surplus of $79 million, $53 million of which was created by borough activities. These strong results clearly demonstrate that our municipal cost-cutting initiatives and financial strategies have maintained Montréal's budgetary balance and fiscal stability.

Montréal's soaring real-estate market also generated an increase of some $42 million in transfer fees. We also saw general revenue growth of over $30 million from licence and permit issuance and the park and playground fund.

The resolution of lawsuits, including one involving the firm Foster Wheeler regarding the cancellation of a construction project for a solid waste recycling centre and a municipal incinerator, yielded $35 million in contingency savings.

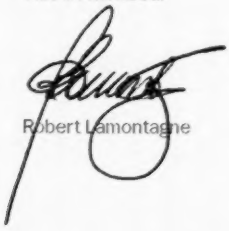
These positive results are clearly due to sound financial management. But we must replenish the central city's surplus, which has been greatly diminished. After paying this $53 million surplus to its boroughs, the city's margin of manoeuvre is only $26 million. That is why we must diligently proceed with our cost-cutting efforts, while maintaining effective, thorough and rigorous management of public moneys. In addition to balancing the 2012 budget, we hope that the recurring measures we have installed will generate additional reserves. At the same time, we intend to pursue our efforts to cut pension plan outlays, a crucial concern for municipal finance.

With much pride and gratitude, we would also like to thank all municipal employees for their united, responsible and dedicated help in achieving these positive results. We are pleased by their invaluable cooperation, which has continued under the new City Manager's office.

City Manager

Guy Hébert

Senior Director, Service des finances and Treasurer,
Ville de Montréal



Robert Lamontagne

Introduction - Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2011

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

(in thousands of dollars)

	2011								2010
	Local responsibilities		Urban agglomeration responsibilities		Eliminations		Total		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Revenues									
Taxes	2,703,510	**2,712,872**	29,240	**33,187**			2,732,750	**2,746,059**	2,583,721
Payments in lieu of taxes	228,324	**227,768**		**49**			228,324	**227,817**	266,571
Quota shares			2,047,096	**2,045,834**	(1,668,196)	**(1,667,048)**	378,900	**378,786**	360,465
Transfers	204,577	**220,159**	159,293	**146,949**			363,870	**367,108**	342,899
Services rendered	266,056	**258,028**	56,659	**66,316**	(41,569)	**(44,853)**	281,146	**279,491**	276,009
Fee collection	115,964	**172,825**	1,762	**1,726**			117,726	**174,551**	164,174
Fines and penalties	102,102	**94,033**	83,861	**87,346**			185,963	**181,379**	186,453
Interest	54,822	**71,992**	27,796	**37,472**			82,618	**109,464**	89,885
Other revenues	44,530	**45,297**	23,907	**30,032**			68,437	**75,329**	81,913
	3,719,885	**3,802,974**	2,429,614	**2,448,911**	(1,709,765)	**(1,711,901)**	4,439,734	**4,539,984**	4,352,090
Operating expenditures									
General administration	453,006	**491,851**	359,853	**376,571**	(41,306)	**(43,426)**	771,553	**824,996**	276,774
Public security	16,885	**6,239**	936,111	**956,913**		**(344)**	952,996	**962,808**	921,186
Transportation	348,824	**340,893**	463,333	**446,983**		**(242)**	812,157	**787,634**	754,322
Environmental hygiene	189,574	**180,620**	238,512	**210,465**		**(550)**	428,086	**390,535**	368,662
Health and welfare	59,325	**59,739**	39,921	**31,158**			99,246	**90,897**	95,385
Urban planning and development	155,245	**142,442**	57,481	**52,594**	(263)	**(281)**	212,463	**194,755**	198,330
Recreation and culture	387,717	**401,027**	73,343	**73,423**		**(10)**	461,060	**474,440**	456,274
Financing expenses	260,283	**242,471**	150,552	**145,811**			410,835	**388,282**	396,243
	1,870,859	**1,865,282**	2,319,106	**2,293,918**	(41,569)	**(44,853)**	4,148,396	**4,114,347**	3,469,176
Quota shares for financing urban agglomeration activities	1,668,196	**1,667,048**			(1,668,196)	**(1,667,048)**			
Operating surplus before financing and allocations	180,830	**270,644**	110,508	**154,993**			291,338	**425,637**	882,914
Financing									
Repayment of long-term debt	(224,236)	**(230,623)**	(141,952)	**(145,381)**			(366,188)	**(376,004)**	(358,325)
Allocations									
Capital asset activities	(21,158)	**(11,340)**	(48,346)	**(6,575)**			(69,504)	**(17,915)**	(27,206)
Restricted operating surplus	62,699	**80,760**		**415**			62,699	**81,175**	96,527
Financial reserves and reserved funds	1,700	**(40,277)**	112	**(56,825)**			1,812	**(97,102)**	(69,277)
Amount to be funded in the future	165	**(3,805)**	79,678	**67,244**			79,843	**63,439**	(332,568)
	43,406	**25,338**	31,444	**4,259**			74,850	**29,597**	(332,524)
Operating surplus for tax purposes for the year		**65,359**		**13,871**				**79,230**	192,065

Map and Population of the Island of Montréal

The Municipal Organization 2011

Pursuant to the *Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities* and the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, the city's powers of administration are divided among the urban agglomeration and local authorities. As the central city of this urban agglomeration, Montréal continues to provide services and to manage collective equipment for all island residents, within the city itself and within the 15 reconstituted municipalities.

These common services are provided by Ville de Montréal employees. Since 2009, the Island of Montréal's 16 related municipalities will be required to fund all shared services that fall under the Urban Agglomeration Council's authority with quota shares. This system of funding urban agglomeration responsibilities results from legislative changes introduced by *An Act to amend various legislative provisions concerning Montréal (Bill 22)* that was adopted in June 2008.

This Act also makes changes to items falling under the Urban Agglomeration Council's authority. Arterial road system activities, for example, will now be under local authority, except for the definition of management and harmonization standards, general planning of the system and certain work that remains under the urban agglomeration's responsibility.

Furthermore, several items have been removed from the list of equipment, infrastructure and activities of collective interest set out in the Appendix to the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and amendments), such as several large parks, cultural facilities, celebrations and festivals. Appendix 3 itemizes the items that remain under the urban agglomeration's responsibility.

Montréal Urban Agglomeration Council

The urban agglomeration is responsible for services provided to all island residents. These responsibilities are exercised by the Urban Agglomeration Council. This municipal political entity and decision-making body holds the authority to adopt any by-law, to authorize any expenditure and to levy any quota share throughout the Island of Montréal.

The Urban Agglomeration Council is designed to have a simple and democratic structure. Montréal's mayor selects representatives to accompany him to the Urban Agglomeration Council. Their briefs are set by the City Council, which defines the positions to be taken by its elected officials at the Urban Agglomeration Council. The same rule applies for the mayors of the reconstituted municipalities, who are bound by the guidelines of their respective city councils. A total of 31 elected officials sit on the Urban Agglomeration Council. They are:

- The mayor of Montréal, who is its chair.
- 15 elected officials from Montréal's City Council, who are appointed by the mayor.
- 14 mayors of the reconstituted municipalities (Île-Dorval and Dorval share one representative), one of whom is appointed as vice-chair.
- An additional representative from Dollard-Des Ormeaux (because of the size of its population), who is appointed by the mayor of this municipality.

The representation of each of the 16 related municipalities within this council is proportional to its demographic weight. Montréal has a weight of 87% and the 15 reconstituted municipalities have 13%.

City Council and Borough Councils

Furthermore, in accordance with the various areas of activity defined in the *Charter of Ville de Montréal*, the city's local powers are distributed among the City Council and the borough councils.

The Montréal City Council continues to assume its responsibility toward local powers within the city, which will now have 19 boroughs. The borough councils are responsible for delivering their own local services.

The City Council now consists of the city mayor, plus 64 city councillors, 18 of whom are borough mayors. A borough council will have at least five members. These members include the borough mayor, its one or more city councillors and any borough councillors. There are now 19 boroughs, with 46 councillors, who also sit on the City Council and 38 borough councillors.

The cost of local service provided on the Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

Summary of Powers Falling under the Urban Agglomeration Council or the City and Borough Councils

Urban Agglomeration Powers

- Property assessment
- Police, fire and emergency preparedness services
- First responder services, except in Côte-Saint-Luc
- 9-1-1 emergency centre
- Implementation of fire coverage and public safety plans
- Municipal Court
- Social housing
- Assistance to the homeless
- Prevention and elimination of substance abuse and prostitution
- Waste disposal and reclamation, along with management of any hazardous substances
- Formulation and adoption of a solid waste management plan
- Municipal waterways
- Water supply and purification, except local mains
- Public transit
- Definition of minimum standards for the management and general planning of the arterial road system and work on specified roadways
- Economic and tourist promotion outside the limits of the related municipality
- Tourist information services
- Industrial parks
- Conseil des arts de Montréal (arts council)
- Equipment, infrastructure and activities of collective interest designated in the Order in *Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and modifications)
- Contribution for Financing Montréal's Nature Museums Deficit
- Any other responsibilities formerly under the jurisdiction of an urban community in the event that the city took the place of the latter.

Local Powers

- Land use planning
- Building, public nuisance and public health regulations
- Housing
- Fire protection and emergency preparedness
- Waste collection and transportation
- Local and arterial road management
- Local water mains and sewer lines
- Local sports and recreational facilities
- Local libraries
- Local parks
- Local economic, community, cultural and social development
- Heritage
- The Commission des services électriques (electrical service commission)
- The Sociétés de développement commercial (SDCs)
- Industrial parks listed in by-law RCG 06 020
- Election organization

2011 Consolidated Financial Information

Management responsibility for financial reporting

The consolidated financial statements in this report are prepared in accordance with Canadian accounting standards for the public sector, as described in Note 2 to the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other information contained in this annual financial report.

The General Auditor of Montréal and the independent auditor, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., have audited the consolidated financial statements and presented the following reports.

Robert Lamontagne, CA, MBA
Senior Director and Treasurer

Guy Hébert
Director General

May 28, 2012

Vérificateur **général**
de la Ville de Montréal

INDEPENDENT AUDITOR'S REPORT

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

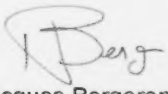
Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2011 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

Without modifying my opinion, I draw attention to Note 13 to the consolidated financial statements, which states that the City includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

Auditor General of Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, May 28, 2012

Deloitte

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montreal QC H3B 4T9
Canada

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Fax: 514-390-4111
www.deloitte.ca

Independent auditor's report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal,
the Members of the Montréal Agglomeration Council

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Samson Bélair/Deloitte & Touche s.e.n.c.r.l.[1]

May 28, 2012

[1] CPA auditor, CA permit No. A116207

Consolidated Statement of Financial Position

As at December 31, 2011

	Note	2011	2010
		(in thousands of dollars)	
FINANCIAL ASSETS			
Cash and temporary investments	3	**329,506**	345,934
Investments	3	**2,416,010**	2,093,876
Accounts receivable	4	**2,815,674**	2,851,313
Assets held for sale		**6,770**	5,200
Loans	5	**20,149**	24,196
Employee future benefits asset	6	**121,373**	409,150
		5,709,482	5,729,669
LIABILITIES			
Temporary loans	7	**179,057**	357,648
Accounts payable, provisions and accrued liabilities	8	**1,450,785**	1,475,631
Deferred revenues	9	**101,992**	108,374
Long-term debt	10	**8,785,294**	8,446,178
		10,517,128	10,387,831
NET DEBT		**(4,807,646)**	(4,658,162)
NON-FINANCIAL ASSETS			
Capital assets	11	**10,178,450**	9,872,602
Assets held for sale		**73,598**	71,982
Inventories		**66,619**	65,284
Other non-financial assets	12	**244,924**	179,901
		10,563,591	10,189,769
ACCUMULATED SURPLUS	13	**5,755,945**	5,531,607
Commitments and contingencies	18		

See the accompanying notes and tables.

Consolidated Statement of Operations

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

	Note	2011		2010
		Budget	Actual	Actual
Revenues				
Taxes		**2,716,514**	**2,731,326**	2,571,818
Payments in lieu of taxes		**228,324**	**227,817**	266,571
Quota shares		**378,900**	**378,786**	360,465
Transfers	*14*	**1,230,594**	**880,419**	966,667
Services rendered		**959,511**	**981,564**	823,808
Fee collection		**117,726**	**174,551**	164,174
Fines and penalties		**185,963**	**181,379**	186,453
Interest	*15*	**82,618**	**121,815**	98,122
Other revenues		**153,667**	**163,333**	199,605
		6,053,817	**5,840,990**	5,637,683
Expenditures				
General administration		**775,610**	**830,123**	280,033
Public security		**979,473**	**986,721**	944,275
Transportation		**1,834,700**	**1,850,551**	1,312,178
Environmental hygiene		**570,488**	**551,408**	526,656
Health and welfare		**146,782**	**134,569**	139,474
Urban planning and development		**240,916**	**221,716**	225,256
Recreation and culture		**543,878**	**571,822**	540,209
Financing expenses		**524,924**	**469,742**	466,849
		5,616,771	**5,616,652**	4,434,930
Surplus for the year		**437,046**	**224,338**	1,202,753
Accumulated surplus at beginning of year			**5,531,607**	4,328,854
Accumulated surplus at end of year			**5,755,945**	5,531,607

See the accompanying notes and tables.

Consolidated Statement of the Change in Net Debt

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

	Note	2011 Budget	2011 Actual	2010 Actual
Surplus for the year		**437,046**	**224,338**	1,202,753
Change in capital assets				
Acquisition		**(1,707,605)**	**(967,396)**	(1,059,455)
Proceeds from sale		**4,760**	**21,218**	19,034
Amortization		**673,743**	**669,276**	643,696
Gain on sale		**(4,760)**	**(9,006)**	(4,355)
		(1,033,862)	**(285,908)**	(401,080)
Change in assets held for sale		**5,190**	**(1,616)**	16,620
Change in inventories			**(1,335)**	(636)
Change in other non-financial assets			**(64,515)**	(105,572)
		5,190	**(67,466)**	(89,588)
Integration of organizations	*16*		**(20,448)**	(20,559)
Change in net debt		**(591,626)**	**(149,484)**	691,526
Net debt at beginning of year		**(4,658,162)**	**(4,658,162)**	(5,349,688)
Net debt at end of year		**(5,249,788)**	**(4,807,646)**	(4,658,162)

See the accompanying notes and tables.

Consolidated Statement of Cash Flows
Fiscal Year Ended December 31, 2011

	Note	2011	2010
		(in thousands of dollars)	
Operating activities			
Surplus for the year		**224,338**	1,202,753
Items not affecting cash			
Amortization of capital assets		**669,276**	643,696
Gain on sale of capital assets		**(9,006)**	(4,355)
Other		**1,477**	10,290
		886,085	1,852,384
Change in non-cash items			
Accounts receivable		**(3,034)**	(267,343)
Loans		**4,047**	15,887
Employee future benefits asset		**289,777**	(625,334)
Accounts payables, provisions, and accrued liabilities		**(32,414)**	(51,841)
Deferred revenues		**20,678**	15,063
Inventories		**(1,335)**	(636)
Other non-financial assets		**(64,515)**	(105,572)
		1,099,289	832,608
Capital investing activities			
Acquisition of capital assets		**(967,396)**	(1,059,455)
Proceeds from sale of capital assets		**21,218**	19,034
		(946,178)	(1,040,421)
Other investing activities			
Acquisition of investments		**(585,494)**	(841,399)
Proceeds from sale of investments		**263,920**	343,199
Net change in assets held for sale		**(3,186)**	16,620
Integration of organizations	*16*	**11,920**	1,967
		(312,840)	(479,613)
Financing activities			
Proceeds from long-term debt		**991,011**	1,064,250
Repayment of long-term debt, net of refinancings		**(522,401)**	(561,394)
Bond redemption by refinancing		**(126,718)**	(99,564)
Net change in temporary loans		**(198,591)**	220,869
		143,301	624,161
Decrease in cash and cash equivalents		**(16,428)**	(63,265)
Cash and cash equivalents at beginning of year		**345,934**	409,199
Cash and cash equivalents at end of year		**329,506**	345,934

Cash and cash equivalents consist of cash and temporary investments of 90 days or less from the acquisition date.

See the accompanying notes and tables.

Segment Disclosures
As at December 31, 2011

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION *(in thousands of dollars)*

	2011				2010
	Municipal administration	Controlled organizations	Eliminations	Total	Total
FINANCIAL ASSETS					
Cash and temporary investments	261,226	68,280		**329,506**	345,934
Investments	2,049,635	366,375		**2,416,010**	2,093,876
Accounts receivable	1,972,339	969,219	(125,884)	**2,815,674**	2,851,313
Assets held for sale	3,613	3,157		**6,770**	5,200
Loans	39,662	16,237	(35,750)	**20,149**	24,196
Employee future benefits asset (liability)	(129,996)	251,369		**121,373**	409,150
	4,196,479	1,674,637	(161,634)	**5,709,482**	5,729,669
LIABILITIES					
Temporary loans		179,057		**179,057**	357,648
Accounts payable, provisions and accrued liabilities	1,213,577	290,507	(53,299)	**1,450,785**	1,475,631
Deferred revenues	126,204	1,788	(26,000)	**101,992**	108,374
Long-term debt	6,974,715	1,918,914	(108,335)	**8,785,294**	8,446,178
	8,314,496	2,390,266	(187,634)	**10,517,128**	10,387,831
NET DEBT	(4,118,017)	(715,629)	26,000	**(4,807,646)**	(4,658,162)
NON-FINANCIAL ASSETS					
Capital assets	7,565,388	2,613,062		**10,178,450**	9,872,602
Assets held for sale	48,506	25,092		**73,598**	71,982
Inventories	25,636	40,983		**66,619**	65,284
Other non-financial assets	46,800	224,124	(26,000)	**244,924**	179,901
	7,686,330	2,903,261	(26,000)	**10,563,591**	10,189,769
ACCUMULATED SURPLUS					
Unrestricted operating surplus (deficit)	64,242	(45,608)		**18,634**	71,910
Restricted operating surplus	220,059	40,850		**260,909**	220,756
Financial reserves and reserved funds	214,472	5,842		**220,314**	181,258
Deficit from capital asset activities	(16,840)	(29,009)	(9,417)	**(55,266)**	(182,564)
Amount to be funded in the future	(983,349)	192,090	39,907	**(751,352)**	(597,513)
Net investment in capital assets	4,069,729	2,023,467	(30,490)	**6,062,706**	5,837,760
	3,568,313	2,187,632		**5,755,945**	5,531,607

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2011

SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION *(in thousands of dollars)*

	2011				2010
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues					
Operating					
Taxes	2,746,059		(14,733)	**2,731,326**	2,571,818
Payments in lieu of taxes	227,817			**227,817**	266,571
Quota shares	378,786	372,900	(372,900)	**378,786**	360,465
Transfers	367,108	123,583		**490,691**	456,135
Services rendered	279,491	720,159	(18,086)	**981,564**	823,808
Fee collection	174,551			**174,551**	164,174
Fines and penalties	181,379			**181,379**	186,453
Interest	109,464	15,803	(3,452)	**121,815**	98,122
Other revenues	74,359	154,020	(89,534)	**138,845**	180,562
	4,539,014	1,386,465	(498,705)	**5,426,774**	5,108,108
Capital Assets					
Quota shares		16,113	(16,113)		
Transfers	162,458	227,270		**389,728**	510,532
Other revenues					
Developers' contributions	18,131			**18,131**	14,541
Other	6,357			**6,357**	4,502
	186,946	243,383	(16,113)	**414,216**	529,575
	4,725,960	1,629,848	(514,818)	**5,840,990**	5,637,683
Expenditures					
General administration	835,822		(5,699)	**830,123**	280,033
Public security	986,721			**986,721**	944,275
Transportation	984,886	1,326,219	(460,554)	**1,850,551**	1,312,178
Environmental hygiene	551,811		(403)	**551,408**	526,656
Health and welfare	91,780	51,087	(8,298)	**134,569**	139,474
Urban planning and development	222,771	9,465	(10,520)	**221,716**	225,256
Recreation and culture	549,377	47,813	(25,368)	**571,822**	540,209
Financing expenses	388,282	85,436	(3,976)	**469,742**	466,849
	4,611,450	1,520,020	(514,818)	**5,616,652**	4,434,930
Surplus for the year	114,510	109,828		**224,338**	1,202,753

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2011

SCHEDULE 3 – RECONCILIATION OF THE CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY ORGANIZATION *(in thousands of dollars)*

	2011					2010
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Surplus for the year	437,046	114,510	109,828		**224,338**	1,202,753
Less: revenues from capital asset activities	(731,979)	(186,946)	(243,383)	16,113	**(414,216)**	(529,575)
Operating surplus (deficit) before reconciliation for tax purposes for the year	(294,933)	(72,436)	(133,555)	16,113	**(189,878)**	673,178
Reconciliation for tax purposes						
Capital assets						
Proceeds from sale	4,760	5,313	15,905		**21,218**	19,034
Amortization	673,743	497,103	172,173		**669,276**	643,696
Gain on sale	(4,760)	(4,343)	(4,663)		**(9,006)**	(4,355)
	673,743	498,073	183,415		**681,488**	658,375
Financing						
Repayment of long-term debt	(451,044)	(376,004)	(87,626)	(7,622)	**(471,252)**	(422,543)
Allocations						
Capital asset activities	(89,406)	(17,915)	(23,189)	(16,113)	**(57,217)**	(45,631)
Restricted operating surplus	62,699	81,175	2,996		**84,171**	96,527
Financial reserves and reserved funds	1,069	(97,102)	(1,326)		**(98,428)**	(67,751)
Amount to be funded in the future	114,526	63,439	82,779	7,622	**153,840**	(692,103)
	88,888	29,597	61,260	(8,491)	**82,366**	(708,958)
Operating surplus for tax purposes for the year	16,654	79,230	23,494		**102,724**	200,052

See the accompanying notes and tables.

SCHEDULE 4 – RECONCILIATION OF CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2011					2010
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues from capital asset activities	731,979	186,946	243,383	(16,113)	**414,216**	529,575
Reconciliation for tax purposes						
Capital assets						
Acquisition						
General administration	(68,719)	(40,199)			**(40,199)**	(26,742)
Public security	(23,923)	(26,326)			**(26,326)**	(32,839)
Transportation	(850,838)	(138,372)	(352,853)		**(491,225)**	(567,487)
Environmental hygiene	(418,674)	(203,329)			**(203,329)**	(215,776)
Health and welfare	(3,000)	(397)	(9,478)		**(9,875)**	(2,403)
Urban planning and development	(86,891)	(62,995)			**(62,995)**	(55,094)
Recreation and culture	(255,560)	(133,434)	(13)		**(133,447)**	(159,114)
	(1,707,605)	(605,052)	(362,344)		**(967,396)**	(1,059,455)
Financing						
Long-term financing of capital asset activities	781,114	490,585	61,569		**552,154**	702,912
Allocations						
Operating activities	89,406	17,915	23,189	16,113	**57,217**	45,631
Restricted operating surplus	30,318	13,445			**13,445**	10,692
Financial reserves and reserved funds	74,788	60,500	(1,128)		**59,372**	56,823
	194,512	91,860	22,061	16,113	**130,034**	113,146
Surplus (deficit) from capital asset activities for tax purposes for the year		164,339	(35,331)		**129,008**	286,178

See the accompanying notes and tables

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2011

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION *(in thousands of dollars)*

	2011				2010
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Remuneration					
Elected officials	10,865	502		**11,367**	9,189
Employees	1,502,455	617,149	(4,274)	**2,115,330**	2,020,802
Employer contributions					
Elected officials	3,634	41		**3,675**	3,658
Employees	782,385	226,620		**1,009,005**	30,234
Transportation and communication	42,459	141,760		**184,219**	168,160
Professionnal, technical and other services					
Professional fees	37,433	22,702		**60,135**	59,566
Purchase of technical services	258,070	40,741	(13,099)	**285,712**	259,513
Other	2,753	15,208		**17,961**	2,691
Leasing, maintenance and repair					
Leasing	86,047	16,836	(18,464)	**84,419**	75,521
Maintenance and repair	62,587	27,120		**89,707**	81,567
Durable goods					
Construction	15,778	2,698		**18,476**	23,334
Other durable goods	750	23,154		**23,904**	6,447
Non-durable goods					
Delivery of public services	81,019	10,852	(9,195)	**82,676**	85,181
Other non-durable goods	135,885	52,722		**188,607**	169,645
Financing expenses					
Interest and other charges on long-term debt borne by:					
The municipality	284,731	36,222	(3,976)	**316,977**	316,928
Government of Québec and its enterprises	75,002	46,261		**121,263**	113,707
Other third parties	24,078	12		**24,090**	30,278
Other financing expenses	4,471	2,941		**7,412**	5,936
Contributions to organizations					
Municipal organizations					
Société de transport de Montréal	389,013		(389,013)		
Montréal Metropolitan Community	29,510			**29,510**	29,707
Reconstituted municipalities					508
Other	28,094		(26,316)	**1,778**	2,944
Government organizations					
Agence métropolitaine de transport	47,701			**47,701**	42,611
Other	10,289			**10,289**	9,932
Other organizations	113,445	10,728	(2,900)	**121,273**	109,008
Amortization of capital assets	497,103	172,173		**669,276**	643,696
Loss on sale of capital assets					
Other items					
Doubtful accounts or bad debts	19,593	1,285		**20,878**	24,915
Other	66,300	52,293	(47,581)	**71,012**	109,252
	4,611,450	1,520,020	(514,818)	**5,616,652**	4,434,930

See the accompanying notes and tables.

Notes and Tables to the Consolidated Financial Statements
December 31, 2011

1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11-4).

On January 1, 2006, following the results of a referendum held in 2004 under *An Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, Île-Dorval, Montréal-Est, Montréal-Ouest, Ville Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by the City's Urban Agglomeration Council, a political and decision-making body vested with decision-making powers related to urban agglomeration responsibilities. The Urban Agglomeration Council is a central municipal legislative body, separate from city council under Section 14 of the Charter of the City of Montréal. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The term "City," as used in the segment disclosures, accompanying notes and tables, refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal (STM), the Société d'habitation et de développement de Montréal, the Montréal Technoparc, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, the Société de gestion NauBerges de Lachine, Anjou 80, the Société vélo en libre-service and the Société en commandite Stationnement de Montréal (Note 16). Transactions concluded between these organizations and reciprocal balances are eliminated.

b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for salaries and benefit costs, liabilities for solid waste landfill closure and post-closure costs, contested valuations and legal claims and actuarial assumptions for establishing employee future benefit costs and obligations.

d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

f) Loans

Loans are presented at cost. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

g) Provision for contested valuations

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

h) Deferred revenues

Premiums on the issuance of securities are amortized on a straight-line basis over the term of the related loans. Unrealized net foreign exchange gains are amortized using the method described in Note 2 r).

i) Other non-financial assets

The City records capital assets and other non-financial assets as assets since they can be used to provide services in subsequent years. These assets do not usually provide resources assigned to the settlement of its liabilities unless they are sold.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following estimated useful lives:

Infrastructures	10 to 40 years
Metro system	25 to 100 years
Buildings	20 to 40 years
Leasehold improvements	lease term
Vehicles	5 to 25 years
Office furniture and equipment	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Capital assets in the process of completion are only amortized when they can be used in the production of goods or in the provision of services.

Land used as road foundations, otherwise acquired by a purchase contract, is recorded at a nominal value of $1. Other land is recorded at cost. When the cost cannot be traced, it is estimated.

During fiscal 2011, STM revised the useful lives of certain capital assets included in metro system, buildings and vehicles categories. This change in estimates increased the amortization expense for the year ended December 31, 2011 by $12.2 million.

k) Inventories

Inventories are recorded at cost, which is determined using the average cost method. Obsolete inventory is written off.

l) Other non-financial assets

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

m) Quota shares

The expenditures incurred by the City in exercising urban agglomeration responsibilities are invoiced to the municipalities related to the agglomeration. Revenues from this invoicing are recorded as quota shares in the Statement of Operations.

n) Transfer revenues

Transfer revenues are recorded in the Statement of Operations when the related operating and capital expenditures are recorded, provided that the City meets the eligibility criteria and a reasonable estimate of the amounts can be made.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employee future benefits costs and obligations

- Defined benefit plans

Plan assets reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these assets or liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2011, this weighted average remaining service life is 13 years.

- Defined contribution plans and pension plan for elected officials

The pension expense for these plans is recognized when contributions are due.

p) Liabilities for solid waste landfill closure and post-closure costs

The City records a liability for closure and post-closure costs of solid waste landfills that it has operated. The liability provision for these costs is an estimate of the costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems for an estimated period of 20 years. These estimated costs are recognized based on the landfill capacity already used.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in solid waste landfill management practices.

q) Environmental obligations

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

r) Foreign currency translation

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date, and foreign exchange gains or losses are immediately charged to the Statement of Operations if they are short-term cash items.

Loan repayments and payments to the Sinking Fund, with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Statement of Operations.

The foreign exchange gain or loss resulting from a long-term monetary item denominated in a foreign currency but not subject to a hedge against currency exposure is recognized in the Statement of Financial Position as a deferred item and charged to the Statement of Operations using the straight-line method over the remaining term of the loans.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt and applies hedge accounting in its eligible hedging relationships in order to benefit from hedge accounting. When implemented, the foreign exchange hedging relationships must be fully documented as required under standard PS 2600, Foreign Currency Translation, and the City must secure efficient relationships for managing the attendant risks. Then the current hedging relationships are evaluated on an annual basis to ensure that they continue to be efficient, and it is expected that they will remain efficient. The efficiency of a hedging relationship is generally evaluated by analyzing whether the main terms of the swap match those of the debt covered. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. The value of currency swaps is determined by applying the change between the foreign exchange rates stipulated in the swap contracts and exchange rates in effect on the reporting date to the notional amounts of the swaps. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses for the year. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt; otherwise, the value of the interest rate swap contracts is not recorded in the Statement of Financial Position.

t) Urban agglomeration responsibilities

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; certain functions related to the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, emergency preparedness, fire protection and first responder services (except for the territory of the municipality of Côte-Saint-Luc); the municipal court; social housing and assistance to the homeless; and certain components of economic development. Tables 1 and 2 provide a breakdown of the operating activities and capital asset surplus for tax purposes according to both local and agglomeration responsibilities.

u) Sectorization and presentation of operations

The City's financial position, operations, operating and capital asset surplus (deficit) for the year for tax purposes, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Expenditures are broken down as follows:

The "General administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "Public security" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures regarding emergency preparedness.

The "Transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "Environmental hygiene" item refers to all expenditures related to water, sewers, waste removal, and environmental protection.

The "Health and welfare" item refers to all community health and welfare services.

The "Urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "Recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "Financing expenses" item refers to the interest and other charges involved in financing.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Budget information

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with Canadian public sector accounting standards. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions. This budget information has not been audited.

A comparison with the unconsolidated budget, adopted in December 2010 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

3- CASH AND INVESTMENTS
(in thousands of dollars)

	2011			2010
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		49,077	49,077	22,478
Temporary investments		280,429	280,429	323,456
		329,506	329,506	345,934
Investments				
Term deposits and other securities	259,198	620,090	879,288	608,390
Bonds and debentures	1,280,657	256,065	1,536,722	1,485,486
	1,539,855	876,155	2,416,010	2,093,876

Temporary investments with a term of 90 days or less effective on the acquisition date, essentially include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 0.75% and 2.02% (1.09% and 1.69% in 2010).

As at December 31, 2011, the fair value of investments was $2,550 million ($2,159.4 million in 2010).

As at December 31, 2010, the Sinking Fund and other investments totalled $1,411.7 million and $682.1 million, respectively.

Bonds and debentures held by the City essentially comprise securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds and debentures totalling $361.9 million ($349.6 million in 2010).

3- CASH AND INVESTMENTS (continued)
(in thousands of dollars)

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2011 and December 31, 2010. The maturities of Sinking Fund investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
December 31, 2011				
2012	879,288	52,717	932,005	1.71%
2013		95,367	95,367	4.80%
2014		139,573	139,573	5.85%
2015		101,059	101,059	3.93%
2016		169,003	169,003	3.71%
1 to 5 years	879,288	557,719	1,437,007	2.71%
6 to 10 years		893,953	893,953	4.56%
11 to 15 years		78,856	78,856	4.50%
16 to 20 years		6,194	6,194	4.62%
	879,288	1,536,722	2,416,010	
December 31, 2010				
2011	583,525	216,173	799,698	2.09%
2012	24,865	39,618	64,483	4.12%
2013		111,148	111,148	4.92%
2014		116,087	116,087	6.55%
2015		111,107	111,107	4.22%
1 to 5 years	608,390	594,133	1,202,523	3.09%
6 to 10 years		779,529	779,529	3.81%
11 to 15 years		107,206	107,206	5.26%
16 to 20 years		4,618	4,618	5.59%
	608,390	1,485,486	2,093,876	

4- ACCOUNTS RECEIVABLE
(in thousands of dollars)

	2011	2010
Taxes	79,029	76,639
Government of Canada and its enterprises	147,301	154,915
Government of Québec and its enterprises	2,218,997	2,231,239
Municipal organizations	5,511	1,483
Services rendered and other	364,836	387,037
	2,815,674	2,851,313

An allowance for doubtful accounts of $112.4 million ($108.6 million in 2010) has been deducted from accounts receivable.

An organization has entered into a factoring agreement with a financial institution. The agreement allows the organization to have access to a maximum of $40 million, supported by the factoring of short-term accounts receivable. Accounts receivable in the amount of $12.4 million ($34.7 million in 2010) were factored to the financial institution, at no time exceeding the authorized amount. The factoring cost of these accounts receivable is $0.1 million ($0.4 million in 2010) and is included in transportation expenses in the statement of operations.

4- ACCOUNTS RECEIVABLE (continued)

(in thousands of dollars)

	2011	2010
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,904,048	1,723,799

The fair value of the receivables to be used to repay long-term debt is $2,130.3 million ($1,876.4 million in 2010).

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2011, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2011			
2012	135,426	5.24%	37,611
2013	109,762	5.27%	55,799
2014	178,103	5.13%	73,012
2015	75,940	5.40%	64,175
2016	93,049	5.37%	13,715
1 to 5 years	592,280	5.25%	244,312
6 to 10 years	755,008	5.04%	84,021
11 to 15 years	88,685	5.98%	8,506
16 to 20 years	1,940	4.33%	
	1,437,913	5.19%	336,839
December 31, 2010			
2011	98,063	5.42%	41,683
2012	119,465	5.43%	31,781
2013	94,582	5.50%	55,524
2014	161,562	5.25%	73,012
2015	60,921	5.79%	64,175
1 to 5 years	534,593	5.43%	266,175
6 to 10 years	633,981	5.35%	88,383
11 to 15 years	111,091	6.13%	2,161
16 to 20 years	7,289	5.39%	6,345
	1,286,954	5.45%	363,064

5- LOANS

(in thousands of dollars)

	2011	2010
Loans	15,986	19,437
Balances of sales prices	4,163	4,759
	20,149	24,196

The loans, secured by mortgages in an amount of $12.1 million and maturing from 2012 to 2033, bear interest at rates varying between 0% and 9%. An amount of $4 million has been deducted from the value of the loans to present them at discounted face value ($4.2 million in 2010).

As at December 31, 2011, balances of sales prices, which mature from 2012 to 2017, bear interest at rates varying between 3.5% and 9% (maturing from 2011 to 2017 at interest rates varying between 3.5% and 9% in 2010).

As at December 31, 2011, the fair value of loans and the balances of sales prices was $18.4 million ($19.7 million in 2010).

6- EMPLOYEE FUTURE BENEFITS ASSET
(in thousands of dollars)

	2011	2010
Defined benefit pension plans	355,610	638,357
Other plans	(234,237)	(229,207)
Asset employee future benefits	121,373	409,150

Expenses for the defined benefit plans totalled $677.2 million (-$285.8 million in 2010). Expenses for the defined contribution plans and the pension plans of elected officials totalled $0.4 million ($0.5 million in 2010) and $2.2 million ($2.2 million in 2010), respectively.

Defined benefit plans

a) Description of plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	12,448,874		12,466,188	
Accrued benefit obligation	(15,045,303)	(259,525)	(14,057,032)	(229,578)
Capitalization deficit	(2,596,429)	(259,525)	(1,590,844)	(229,578)
Unamortized actuarial losses	3,042,688	25,288	2,303,642	371
Accrued benefit asset (liability)	446,259	(234,237)	712,798	(229,207)
Valuation allowance	(90,649)		(74,441)	
Employee future benefits asset (liability)	355,610	(234,237)	638,357	(229,207)

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2011

6- EMPLOYEE FUTURE BENEFITS ASSET (continued)
(in thousands of dollars)

c) Plans in which the accrued benefit obligation exceeds the plan assets

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(12,642,295)	(259,225)	(11,687,805)	(229,578)
Actuarial value of plan assets	9,954,885		10,017,495	
Capitalization deficit	(2,687,410)	(259,225)	(1,670,310)	(229,578)

d) Actuarial value of plan assets

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	12,466,188		12,685,269	
Expected return on plan assets	778,280		837,381	
Loss during the year on the expected return on plan assets	(473,680)		(716,075)	
Actual return on plan assets	304,600		121,306	
Contributions for the year	492,703	10,591	442,356	8,931
Benefits paid	(814,617)	(10,591)	(782,743)	(8,931)
Balance at end	12,448,874		12,466,188	
Fair value of plan assets	12,283,068		12,453,998	

e) Accrued benefit obligation

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	14,057,032	229,578	12,971,064	222,161
Current service cost	364,480	7,953	324,586	7,222
Past service cost	98,944		127	2,435
Benefits paid	(814,617)	(10,591)	(782,743)	(8,931)
Interest cost on the obligation	876,251	10,858	849,746	9,903
Loss (gain) on the obligation during the year	463,213	21,727	694,252	(3,212)
Balance at end	15,045,303	259,525	14,057,032	229,578

6- EMPLOYEE FUTURE BENEFITS ASSET (continued)
(in thousands of dollars)

f) Components of the expense for defined benefits plans

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	364,480	7,953	324,586	7,222
Past service cost	98,944		127	2,435
Employee contributions	(113,824)		(111,719)	
Unamortized actuarial gains recognized upon plan amendments	(488)			
Amortization of actuarial losses (gains)	198,335	(3,190)	95,901	(3,323)
Retirement benefits expense	547,447	4,763	308,895	6,334
Interest cost on the obligation	876,251	10,858	849,746	9,903
Expected return on plan assets	(778,280)		(837,381)	
Interest cost	97,971	10,858	12,365	9,903
Change in valuation allowance	16,208		(623,263)	
Total expense	661,626	15,621	(302,003)	16,237

g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2008 to December 31, 2011 are as follows:

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6.00% to 6.20%	3.75% to 5.00%	6.00% to 6.50%	4.50% to 5.00%
Rate of expected return on plan assets	6.00% to 6.25%		6.00% to 6.50%	
Inflation rate	2.00% to 2.50%	2.00% to 2.50%	2.00% to 2.50%	2.00% to 2.50%
Salary escalation rate	2.96% to 3.00%	3.23% to 3.25%	3.00% to 3.75%	3.21% to 3.75%
Initial growth rate for healthcare costs		6.50% to 9.42%		6.50% to 9.69%
Ultimate growth rate for healthcare costs		4.30% to 7.00%		4.30% to 7.00%
Years when rate is expected to stabilize		2024 and 2025		2024 and 2025
Initial growth rate for dental care costs		4.00% to 5.00%		4.00% to 5.00%

6- EMPLOYEE FUTURE BENEFITS ASSET (continued)

(in thousands of dollars)

Defined contribution plans and plans of elected officials

a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

b) Employer contributions

	2011	2010
Defined contribution plans	427	466
Pension plans of elected officials	2,177	2,156

7- TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled $1,714.8 million as at December 31, 2011 ($1,660.3 million in 2010).

Of this amount, $1,401.8 million ($500 million under the limit set by the STM and $901.8 million under the *Charter of the City of Montréal*, which authorizes up to 20% of the budgetary appropriations) may be borrowed, in whole or in part, through notes, bankers' acceptances or securities that may be negotiated with chartered banks or on the open market for short-term borrowings. As at December 31, 2011, the nominal value of commercial paper issuances was $172.9 million ($331.4 million in 2010) and the average rate on these temporary loans was 1.12% (0.75% in 2010).

The City also has demand lines of credit from different banks totalling $313 million. As at December 31, 2011, the amount of the credit used was $6.2 million ($26.2 million in 2010) and bears interest at an average rate of 1.27% (1.25% in 2010).

8- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES

(in thousands of dollars)

	2011	2010
Trade accounts payable	388,362	469,439
Salaries, source deductions and employee benefits	576,106	517,694
Accrued interest payable on long-term debt	80,242	77,044
Provisions		
Solid waste landfill closure and post-closure costs	41,227	44,183
Contested valuations	50,709	72,919
Other	121,199	124,145
Deposits and holdbacks	88,009	79,984
Government of Québec and its enterprises	18,807	24,255
Government of Canada and its enterprises	10,202	12,749
Other	75,922	53,219
	1,450,785	1,475,631

9- DEFERRED REVENUES
(in thousands of dollars)

	2011	2010
Premium upon issuance of securities	57,511	58,478
Sale of a concession		28,000
Transfers	10,436	4,600
Pension plan	3,689	4,264
Unrealized net foreign exchange gains	3,904	2,965
Other	26,452	10,067
	101,992	108,374

10- LONG-TERM DEBT
(in thousands of dollars)

	2011	2010
Bonds and notes		
In Canadian dollars (1)	8,500,667	8,138,966
In foreign currencies	86,533	84,805
Other long-term debt		
Obligations under capital leases	1,915	2,301
Term loans and mortgages (2)	160,393	173,783
Other	35,786	46,323
	8,785,294	8,446,178

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling $1,308.9 million ($1,313.4 million in 2010).

(2) Mortgages in the amount of $49.1 million ($55 million in 2010) are guaranteed by properties with a carrying value of $49.8 million ($55.7 million in 2010).

The repayment of the long-term debt is allocated as follows:

	2011	2010
Chargeable to taxpayers		
Of the central municipality	3,059,984	3,051,439
Of the agglomeration	1,962,238	1,958,930
Accumulated amounts in the Sinking Fund	1,539,855	1,411,743
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,904,048	1,723,799
Amount recoverable through user fees	319,169	300,267
	8,785,294	8,446,178

The City uses currency and interest-rate swap agreements for loans totalling $322.7 million ($533.9 million in 2010). The financial liabilities associated with these swaps, which amount to $48.6 million ($122.4 million in 2010), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2011, unhedged foreign exchange loans amounted to $86.5 million ($84.8 million in 2010) and the foreign exchange loss on these loans amounted to $19.5 million ($17.8 million in 2010). In this regard, an amount of $24.8 million ($23.3 million in 2010) was recorded in the Sinking Fund to cover the loss.

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

Estimated payments on long-term debt are as follows:

	2011					2010		
Maturity	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Net maturity	Maturity	Refinancing	Net maturity
2011						674,973	142,643	532,330
2012	495,490	35,595	531,085	204,466	326,619	489,867	206,205	283,662
2013	655,973	50,651	706,624	303,154	403,470	665,126	303,548	361,578
2014	721,931		721,931	197,125	524,806	677,810	197,078	480,732
2015	556,778		556,778	253,109	303,669	502,055	241,114	260,941
2016	361,597		361,597	83,941	277,656			
1 to 5 years	2,791,769	86,246	2,878,015	1,041,795	1,836,220	3,009,831	1,090,588	1,919,243
6 to 10 years	3,432,754		3,432,754	846,344	2,586,410	3,011,112	696,526	2,314,586
11 to 15 years	1,218,004		1,218,004	30,505	1,187,499	817,459	22,333	795,126
16 to 20 years	202,504		202,504		202,504	555,764	8,172	547,592
2043	934,556		934,556		934,556	932,556		932,556
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		287	287		287	282		282
TOTAL	8,698,761	86,533	8,785,294	1,918,644	6,866,650	8,446,178	1,817,619	6,628,559

Debt summary:

	2011			2010		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		8,698,761	99.02		8,361,373	99.00
U.S. dollars	35,000	35,595	0.41	35,000	34,811	0.41
Swiss Francs	46,700	50,651	0.57	46,700	49,712	0.59
Pounds Sterling	182	287	0.00	182	282	0.00
		8,785,294	100.00		8,446,178	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

Interest rates

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

	2011			2010
Maturity	Canadian dollars	Foreign currencies	Weighted average	Weighted average
1 to 5 years	4.60%	3.62%	4.57%	5.04%
6 to 10 years	4.93%		4.93%	5.10%
11 to 15 years	5.36%		5.36%	5.64%
16 to 20 years	4.31%		4.31%	4.88%
2043	5.90%		5.90%	6.00%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	4.99%	3.62%	4.97%	5.22%

Fair value

The fair value of the debt was $9,900 million ($9,092.7 million in 2010). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $70.4 million ($143.6 million in 2010).

11- CAPITAL ASSETS
(in thousands of dollars)

	Balance as at December 31, 2010	Increase (1)	Decrease	Balance as at December 31, 2011
COST				
Infrastructures	9,242,354	394,278	141,367	9,495,265
Metro system	2,487,682	166,373	320	2,653,735
Buildings	2,257,159	121,871	1,086	2,377,944
Leasehold improvements	74,765	3,692	936	77,521
Vehicles	1,273,650	161,705	121,401	1,313,954
Office furniture and equipment	368,378	52,241	54,016	366,603
Machinery, tools and equipment	255,867	59,361	15,946	299,282
Land	1,061,895	47,418	6,915	1,102,398
Other	11,071	1,377	2,891	9,557
	17,032,821	1,008,316	344,878	17,696,259
ACCUMULATED AMORTIZATION				
Infrastructures	3,927,349	376,101	141,315	4,162,135
Metro system	1,434,517	59,798	320	1,493,995
Buildings	1,057,306	65,498	4,674	1,118,130
Leasehold improvements	34,362	6,395	936	39,821
Vehicles	478,442	85,438	116,100	447,780
Office furniture and equipment	145,486	57,387	54,017	148,856
Machinery, tools and equipment	74,521	37,863	12,413	99,971
Other	8,236	1,776	2,891	7,121
	7,160,219	690,256	332,666	7,517,809
NET CARRYING VALUE	9,872,602			10,178,450

(1) The increase of the exercise includes capital assets ($40.9 million) and accumulated amortization ($21 million) of integrated organizations (Note 16).

Capital assets in the process of completion, for which the cost totalled $460.8 million as at December 31, 2011 ($383.8 million in 2010), are not amortized.

12- OTHER NON-FINANCIAL ASSETS
(in thousands of dollars)

	2011	2010
Deposits to purchase metro cars and buses	185,757	124,338
Securities issuance costs	43,396	40,025
Other	15,771	15,538
	244,924	179,901

13- ACCUMULATED SURPLUS

(in thousands of dollars)

	2011	2010
Unrestricted operating surplus	18,634	71,910
Restricted operating surplus	260,909	220,756
Financial reserves and reserved funds	220,314	181,258
Deficit of capital asset activities	(55,266)	(182,564)
Amount to be funded in the future	(751,352)	(597,513)
Net investment in capital assets	6,062,706	5,837,760
	5,755,945	5,531,607

In accordance with the model developed by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4; in Tables 1, 2 and 3 of the Notes and Tables to the Consolidated Financial Statements; and in the section of the report that deals specifically with the municipal administration:

Restricted operating surplus

The restricted operating surplus is the portion of the accumulated surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56), under the *Charter of the City of Montréal*, or under resolutions adopted by the city council, the Urban Agglomeration Council and the borough councils. It also includes the excess of operating activities in organizations under its control.

Financial reserves and reserved funds

Certain amounts collected by the City must be recorded in special accounts of accumulated surplus and used for specific purposes. These purposes include, in particular, the development and maintenance of parks, playing fields and parking areas; the provision of water and road network services; and the acquisition of capital assets.

Deficit on capital asset activities

The deficit on capital asset activities is equal to the surplus of costs of capital assets on the financing realized.

Amount to be funded in the future

The amount to be funded in the future is equal to the net balance of the expenditures recognized in the Statement of Operations that will be subject to future revenues. Except for the balance related to the initial obligation as at January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the unrestricted operating surplus over estimated periods through to 2045. The amount to be funded in the future results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020);

- application of relief measures related to employee future benefits (amortization over an estimated period through to 2025);

- the long-term financing of certain expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

Net investment in capital assets

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

14- TRANSFER REVENUES
(in thousands of dollars)

	2011	2010
Transfers - Operating activities		
Government of Québec	490,691	456,135
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	23,054	36,948
Transportation Security program		(217)
Gas tax program and the Québec government contribution (TECQ)	63,851	47,372
Other	4,071	4,032
Government of Québec		
Canada/Québec Infrastructure program	19,251	38,227
Québec/Municipalities Infrastructure program	127,063	105,697
Gas tax program and the Québec government contribution (TECQ)	121,885	242,678
Other	30,553	35,795
	389,728	510,532
	880,419	966,667

15- INTEREST INCOME
(in thousands of dollars)

	2011	2010
Sinking Fund	64,996	61,972
Cash and other interest	42,768	26,811
Tax arrears	14,051	9,339
	121,815	98,122

16- INTEGRATED ORGANIZATIONS

(in thousands of dollars)

Since January 1, 2011, the City fully consolidates the accounts of Stationnement de Montréal LP and Trangesco LP (an organization controlled by the STM). The effects of this full consolidation on the City's financial position as at date, after the elimination of intra-group balances, are as follows:

Financial assets	
Cash and temporary investments	11,920
Accounts receivable	(39,305)
	(27,385)
Liabilities	
Temporary loans	20,000
Accounts payable, provisions and accrued liabilities	7,569
Deferred revenues	(28,000)
Long-term debt	(6,506)
	(6,937)
Net debt	(20,448)
Non-financial assets	
Capital assets	19,940
Other non-financial assets	508
	20,448
Accumulated surplus	

17- FINANCIAL INSTRUMENTS

Use of derivative instruments

The City uses derivative financial instruments to reduce its exposure to changes in cash flows associated with changes in foreign exchange rates and interest rates on its long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

Exchange and interest positions

As at December 31, 2011, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

17- FINANCIAL INSTRUMENTS (continued)

Fair value

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

(in thousands of dollars)	2011		2010	
	Fair value	Carrying value	Fair value	Carrying value
Investments	2,550,049	2,416,010	2,159,403	2,093,876
Receivables amount to be used to repay long-term debt	2,130,390	1,904,048	1,876,403	1,723,799
Loans	18,439	20,149	19,711	24,196
Long-term debt	9,900,007	8,785,294	9,092,730	8,446,178

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt, the loans and the long-term debt is essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2011, the fair value and carrying value of financial liabilities associated with swaps stood at $70.4 million and $48.6 million ($143.6 million and $122.4 million in 2010). They are included in the long-term debt amounts.

18- COMMITMENTS AND CONTINGENCIES

a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of $1,201.8 million. The estimated amounts payable over the coming years are as follows:

2012	2013	2014	2015	2016	2017-2069	Total
$310.8M	$266.6M	$164.1M	$127.9M	$75.7M	$256.7M	$1,201.8M

Capital activity commitments total $2,245.1 million of which $1,638.9 million is to purchase metro cars.

The City has negotiated agreements to be supplied with diesel fuel at a set price until December 2012. As at December 31, 2011, the balance of the commitment was $63.6 million.

b) Ownership of property used to extend the metro system to the City of Laval

On April 28, 2007, the Agence métropolitaine de transport transferred the property used in extending the metro system to Laval to the STM at no cost under Section 47 of the *Act respecting the Agence métropolitaine de transport* ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007"). The expiry date of the reconveyance agreement dated December 21, 2007 was extended to June 30, 2011.

The conclusion of this agreement may result in an increase in assets of approximately $1,100 million (excluding taxes) $550 million as capital assets and receivables to be used to repay long-term debt, and an increase in liabilities of $550 million as long-term debt, with the balance being allocated to the accumulated surplus.

18- COMMITMENTS AND CONTINGENCIES (continued)

c) E-Commerce Place

Under a management agreement related to the E-Commerce Place real estate project, the City has endorsed a loan up to a maximum of $67.5 million, the balance of which is $5.6 million as at December 31, 2011.

d) F1 Grand Prix of Canada

As part of an agreement entered into to guarantee that Montreal is added to the F1 Grand Prix of Canada schedule for 2010 to 2014 inclusively, the City has pledged to make an annual contribution of $15 million. In this respect, the annual contribution receivable by the City from its partners is $14 million.

e) Claims and insurance

Claims pending against the City amount to $637.7 million. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial position.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget established for tax purposes, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

f) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to comply with the *Act to amend the Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

19- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (CMM)

The City is part of the CMM, a regulatory, planning, coordinating, and funding body. Under the *Act respecting the Montréal Metropolitan Community* (R.S.Q. C-37.01), the CMM exercises jurisdiction over such areas as economic development; arts and culture promotion; social housing; facilities, infrastructures, services and activities of metropolitan importance; public transit and the metropolitan arterial road network; waste management planning; air quality; and water purification. It also has jurisdiction under the *Act respecting land use planning and development* (chapter A-19.1) with respect to the metropolitan land use and development plan.

During the year, the City's financial contribution to the CMM totalled $29.5 million ($29.7 million in 2010). The CMM, for its part, paid the City $41 million ($43.2 million in 2010) with respect to the operating costs of certain metropolitan facilities assumed by the City and for the social housing program.

20- PRIOR PERIOD

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2011

TABLE 1 – CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual (2)
Revenues		
Taxes	2,703,510	**2,712,872**
Payments in lieu of taxes	228,324	**227,768**
Quota shares		
Transfers	204,577	**220,167**
Services rendered	447,515	**438,827**
Fee collection	115,964	**172,825**
Fines and penalties	102,102	**94,033**
Interest	54,822	**73,058**
Other revenues	49,167	**60,502**
	3,905,981	**4,000,052**
Operating expenditures		
General administration	674,006	**712,850**
Public security	727,674	**717,028**
Transportation	824,035	**812,047**
Environmental hygiene	465,192	**455,090**
Health and welfare	111,651	**107,543**
Urban planning and development	184,852	**173,193**
Recreation and culture	443,283	**456,545**
Financing expenses	268,566	**247,782**
	3,699,259	**3,682,078**
Surplus before financing and allocations	206,722	**317,974**
Financing		
Repayment of long-term debt (3)	(233,174)	**(242,408)**
Allocations		
Capital asset activities	(21,458)	**(29,455)**
Restricted operating surplus	62,699	**80,760**
Financial reserves and reserved funds	1,700	**(40,277)**
Amount to be funded in the future	165	**(3,805)**
	43,106	**7,223**
Operating surplus for tax purposes for the year	16,654	**82,789**

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $31.8 million ($47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(3) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
29,240	**33,187**	(16,236)	**(14,733)**	2,716,514	**2,731,326**	2,571,818
	49			228,324	**227,817**	266,571
2,434,996	**2,418,734**	(2,056,096)	**(2,039,948)**	378,900	**378,786**	360,465
299,773	**270,524**			504,350	**490,691**	456,135
619,644	**605,676**	(107,648)	**(62,939)**	959,511	**981,564**	823,808
1,762	**1,726**			117,726	**174,551**	164,174
83,861	**87,346**			185,963	**181,379**	186,453
27,796	**52,209**		**(3,452)**	82,618	**121,815**	98,122
136,287	**180,089**	(37,522)	**(89,534)**	147,932	**151,057**	195,241
3,633,359	**3,649,540**	(2,217,502)	**(2,210,606)**	5,321,838	**5,438,986**	5,122,787
359,853	**376,571**	(268,945)	**(270,124)**	764,914	**819,297**	271,592
936,111	**956,913**	(710,789)	**(711,133)**	952,996	**962,808**	921,186
1,487,620	**1,517,875**	(852,956)	**(840,100)**	1,458,699	**1,489,822**	964,462
238,512	**210,465**	(276,080)	**(275,423)**	427,624	**390,132**	368,296
39,921	**31,158**	(13,817)	**(13,030)**	137,755	**125,671**	131,053
57,481	**52,594**	(31,605)	**(32,494)**	210,728	**193,293**	197,709
101,875	**120,505**	(79,770)	**(80,439)**	465,388	**496,611**	470,087
256,898	**225,936**	(540)	**(3,976)**	524,924	**469,742**	466,849
3,478,271	**3,492,017**	(2,234,502)	**(2,226,719)**	4,943,028	**4,947,376**	3,791,234
155,088	**157,523**	17,000	**16,113**	378,810	**491,610**	1,331,553
(217,870)	**(221,222)**		**(7,622)**	(451,044)	**(471,252)**	(422,543)
(50,948)	**(11,649)**	(17,000)	**(16,113)**	(89,406)	**(57,217)**	(45,631)
	3,411			62,699	**84,171**	96,527
(631)	**(58,151)**			1,069	**(98,428)**	(67,751)
114,361	**150,023**		**7,622**	114,526	**153,840**	(692,103)
62,782	**83,634**	(17,000)	**(8,491)**	88,888	**82,366**	(708,958)
	19,935			16,654	**102,724**	200,052

TABLE 2 – CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares		
Transfers	95,731	**76,906**
Other revenues		
Developers contributions	5,735	**18,082**
Other		**4,532**
	101,466	**99,520**
Capital expenditures		
General administration	42,508	**23,913**
Public security	308	**461**
Transportation	183,039	**115,086**
Environmental hygiene	145,386	**79,601**
Health and welfare	3,000	**9,506**
Urban planning and development	71,763	**57,228**
Recreation and culture	163,962	**103,460**
	609,966	**389,255**
Deficit before financing and allocations	(508,500)	**(289,735)**
Financing		
Long-term financing of capital asset activities	449,452	**334,440**
Allocations		
Operating activities	21,458	**29,455**
Restricted operating surplus	13,453	**13,4[illegible]5**
Financial reserves and reserved funds	24,137	**11,261**
	59,048	**54,161**
Surplus of capital asset activities for tax purposes for the year		**98,866**

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

(2) The revenues include transfers of $31.8 million ($47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual (2)	Budget	Actual	Budget	Actual	Actual
	16,113		**(16,113)**			
630,513	**312,822**			726,244	**389,728**	510,532
	49			5,735	**18,131**	14,541
17,000	**1,825**	(17,000)			**6,357**	4,502
647,513	**330,809**	(17,000)	**(16,113)**	731,979	**414,216**	529,575
26,211	**16,286**			68,719	**40,199**	26,742
23,615	**25,865**			23,923	**26,326**	32,839
667,799	**376,139**			850,838	**491,225**	567,487
273,288	**123,728**			418,674	**203,329**	215,776
	369			3,000	**9,875**	2,403
15,128	**5,767**			86,891	**62,995**	55,094
91,598	**29,987**			255,560	**133,447**	159,114
1,097,639	**578,141**			1,707,605	**967,396**	1,059,455
(450,126)	**(247,332)**	(17,000)	**(16,113)**	(975,626)	**(553,180)**	(529,880)
331,662	**217,714**			781,114	**552,154**	702,912
50,948	**11,649**	17,000	**16,113**	89,406	**57,217**	45,631
16,865				30,318	**13,445**	10,692
50,651	**48,111**			74,788	**59,372**	56,823
118,464	**59,760**	17,000	**16,113**	194,512	**130,034**	113,146
	30,142				**129,008**	286,178

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2011

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS *(in thousands of dollars)*

	2011	2010
Accumulated surplus		
Unrestricted operating surplus	**18,634**	71,910
Restricted operating surplus	**260,909**	220,756
Financial reserves and reserved funds	**220,314**	181,258
Deficit of capital asset activities	**(55,266)**	(182,564)
Amount to be funded in the future	**(751,352)**	(597,513)
Net investment in capital assets	**6,062,706**	5,837,760
	5,755,945	5,531,607
Breakdown of different items		
Restricted operating surplus		
Allocation to the following year		62,700
Restricted surplus - Boroughs	**137,042**	92,515
Restricted surplus - Specific projects	**65,892**	24,577
Restricted surplus - Other purposes	**57,975**	40,964
	260,909	220,756
Financial reserves and reserved funds		
Financial reserves		
Water management	**166,134**	139,385
Management of road network	**25,319**	14,092
	191,453	153,477
Reserved funds		
Parks and playing fields	**10,706**	10,085
Working capital	**7,297**	5,537
Balance of closed-loan by-laws	**3,509**	4,951
Parking areas	**4,220**	3,871
Other	**3,129**	3,337
	28,861	27,781
	220,314	181,258
Amount to be funded in the future		
Transitional measures as of January 1, 2000		
Employee benefits	**(21,723)**	(27,800)
Employee future benefits		
Pension plan	**664,123**	822,447
Other plans	**(199,140)**	(199,140)
	464,983	623,307
Long-term financing of operating activities	**(1,194,612)**	(1,193,020)
	(751,352)	(597,513)
Net investment in capital assets		
Assets		
Investments - Sinking Fund	**1,539,855**	1,411,743
Receivables amounts to be used to repay long-term debt	**1,718,738**	1,529,092
Capital assets	**10,178,450**	9,872,602
	13,437,043	12,813,437
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	**(3,202)**	(3,587)
Long-term debt	**(8,785,294)**	(8,446,178)
Debt in refinancing		
Debt not affecting the net investment in capital assets	**1,414,159**	1,474,088
	(7,374,337)	(6,975,677)
	6,062,706	5,837,760

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2011

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT *(in thousands of dollars)*

	2011	2010
Long-term debt of the municipal administration	**6,974,715**	6,864,766
Add		
Long-term unfunded operating expenditures	**26,282**	63,175
Long-term unfunded capital expenditures	**57,293**	188,956
Other		
Purchase of land	**12,497**	10,751
Government receivables	**29,332**	31,550
Deduct		
Receivables amount dedicated to repayment on long-term debt	**1,157,567**	1,126,373
Amount accumulated for repayment on long-term debt	**1,173,480**	1,150,689
Amount recoverable through user fees	**321,631**	300,267
Net long-term debt of the municipal administration	**4,447,441**	4,581,869
Share in the net total long-term debt of controlled organizations	**697,400**	684,990
Consolidated net long-term debt	**5,144,841**	5,266,859
Quota share in net total long-term debt - Montréal Metropolitain Community	**18,612**	16,896
Consolidated net total long-term debt	**5,163,453**	5,283,755

2011
Municipal Administration Financial Reporting

Breakdown by Responsability

Water Management

Breakdown of Mixed Expenditures

2011 Municipal Administration Financial Reporting

Breakdown by Responsability

Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2011

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual (2)
Revenues		
Taxes	2,703,510	**2,712,872**
Payments in lieu of taxes	228,324	**227,768**
Quota shares		
Transfers	204,577	**220,159**
Services rendered	266,056	**258,028**
Fee collection	115,964	**172,825**
Fines and penalties	102,102	**94,033**
Interest	54,822	**71,992**
Other revenues	44,530	**45,297**
	3,719,885	**3,802,974**
Operating expenditures		
General administration	674,006	**712,850**
Public security	727,674	**717,028**
Transportation	728,128	**720,197**
Environmental hygiene	465,192	**455,090**
Health and welfare	64,057	**64,471**
Urban planning and development	176,937	**164,135**
Recreation and culture	442,778	**456,088**
Financing expenses	260,283	**242,471**
	3,539,055	**3,532,330**
Surplus before financing and allocations	180,830	**270,644**
Financing		
Repayment of long-term debt (3)	(224,236)	**(230,623)**
Allocations		
Capital asset activities	(21,158)	**(11,340)**
Restricted operating surplus	62,699	**80,760**
Financial reserves and reserved funds	1,700	**(40,277)**
Amount to be funded in the future	165	**(3,805)**
	43,406	**25,338**
Operating surplus for tax purposes for the year		**65,359**

(1) The eliminations refer to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $31.8 million ($47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(3) Repayment of long-term debt represents loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
29,240	**33,187**			2,732,750	**2,746,059**	2,583,721
	49			228,324	**227,817**	266,571
2,047,096	**2,045,834**	(1,668,196)	**(1,667,048)**	378,900	**378,786**	360,465
159,293	**146,949**			363,870	**367,108**	342,899
56,659	**66,316**	(41,569)	**(44,853)**	281,146	**279,491**	276,009
1,762	**1,726**			117,726	**174,551**	164,174
83,861	**87,346**			185,963	**181,379**	186,453
27,796	**37,472**			82,618	**109,464**	89,885
23,907	**30,032**			68,437	**75,329**	81,913
2,429,614	**2,448,911**	(1,709,765)	**(1,711,901)**	4,439,734	**4,539,984**	4,352,090
359,853	**376,571**	(262,306)	**(264,425)**	771,553	**824,996**	276,774
936,111	**956,913**	(710,789)	**(711,133)**	952,996	**962,808**	921,186
463,333	**446,983**	(379,304)	**(379,546)**	812,157	**787,634**	754,322
238,512	**210,465**	(275,618)	**(275,020)**	428,086	**390,535**	368,662
39,921	**31,158**	(4,732)	**(4,732)**	99,246	**90,897**	95,385
57,481	**52,594**	(21,955)	**(21,974)**	212,463	**194,755**	198,330
73,343	**73,423**	(55,061)	**(55,071)**	461,060	**474,440**	456,274
150,552	**145,811**			410,835	**388,282**	398,243
2,319,106	**2,293,918**	(1,709,765)	**(1,711,901)**	4,148,396	**4,114,347**	3,469,176
110,508	**154,993**			291,338	**425,637**	882,914
(141,952)	**(145,381)**			(366,188)	**(376,004)**	(358,325)
(48,346)	**(6,575)**			(69,504)	**(17,915)**	(27,206)
	415			62,699	**81,175**	96,527
112	**(56,825)**			1,812	**(97,102)**	(69,277)
79,678	**67,244**			79,843	**63,439**	(332,568)
31,444	**4,259**			74,850	**29,597**	(332,524)
	13,871				**79,230**	192,065

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

NON-CONSOLIDATED OPERATING SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	95,731	**76,906**
Other revenues		
Developers contributions	5,735	**18,082**
Other		**4,532**
	101,466	**99,520**
Acquisition of capital assets		
General administration	42,508	**23,913**
Public security	308	**461**
Transportation	182,739	**106,449**
Environmental hygiene	145,386	**79,601**
Health and welfare		**28**
Urban planning and development	71,763	**57,228**
Recreation and culture	163,962	**103,460**
	606,666	**371,140**
Deficit before financing and allocations	(505,200)	**(271,620)**
Financing		
Long-term financing of capital asset activities	446,452	**334,440**
Allocations		
Operating activities	21,158	**11,340**
Restricted operating surplus	13,453	**13,445**
Financial reserves and reserved funds	24,137	**11,261**
	58,748	**36,046**
Surplus of capital asset activities for tax purposes for the year		**98,866**

(1) The revenues include transfers of $31.8 million ($47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011				2010
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
187,257	**85,552**	282,988	**162,458**	174,307
	49	5,735	**18,131**	14,541
	1,825		**6,357**	4,502
187,257	**87,426**	288,723	**186,946**	193,350
26,211	**16,286**	68,719	**40,199**	26,742
23,615	**25,865**	23,923	**26,326**	32,839
105,795	**31,923**	288,534	**138,372**	132,071
273,288	**123,728**	418,674	**203,329**	215,776
	369		**397**	1,677
15,128	**5,767**	86,891	**62,995**	55,094
91,598	**29,974**	255,560	**133,434**	158,957
535,635	**233,912**	1,142,301	**605,052**	623,156
(348,378)	**(146,486)**	(853,578)	**(418,106)**	(429,806)
239,009	**156,145**	685,461	**490,585**	599,033
48,346	**6,575**	69,504	**17,915**	27,206
16,865		30,318	**13,445**	10,692
44,158	**49,239**	68,295	**60,500**	56,823
109,369	**55,814**	168,117	**91,860**	94,721
	65,473		**164,339**	263,948

Financial Information of the Municipal Administration (continued)

As at December 31, 2011

NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2011		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus (deficit)	70,406	(6,164)	**64,242**
Restricted operating surplus	213,988	6,071	**220,059**
Financial reserves and reserved funds	88,831	125,641	**214,472**
Deficit of capital asset activities	(2,141)	(14,699)	**(16,840)**
Amount to be funded in the future	(1,468,517)	485,168	**(983,349)**
Net investment in capital assets			**4,069,729**
			3,568,313
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year			
Restricted surplus - Boroughs	137,042		**137,042**
Restricted surplus - Special projects	59,883	6,009	**65,892**
Restricted surplus - Other purposes	17,063	62	**17,125**
	213,988	6,071	**220,059**
Financial reserves and reserved funds			
Financial reserves			
Water management	52,563	113,571	**166,134**
Management of road network	13,249	12,070	**25,319**
	65,812	125,641	**191,453**
Reserved funds			
Parks and playing fields	10,706		**10,706**
Working capital	2,706		**2,706**
Balance of closed-loan by-laws	2,258		**2,258**
Parking areas	4,220		**4,220**
Other	3,129		**3,129**
	23,019		**23,019**
	88,831	125,641	**214,472**
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(15,559)	**(15,559)**
Employee future benefits			
Pension plan	(221,955)	551,554	**329,599**
Other plans	(96,320)	(9,914)	**(106,234)**
	(318,275)	541,640	**223,365**
Long-term financing of operating activities	(1,150,242)	(40,913)	**(1,191,155)**
	(1,468,517)	485,168	**(983,349)**

Financial Information of the Municipal Administration (continued)

As at December 31, 2011

(in thousands of dollars)

	2010		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus (deficit)	118,265	(20,036)	98,229
Restricted operating surplus	193,336	6,487	199,823
Financial reserves and reserved funds	59,815	118,055	177,870
Deficit of capital asset activities	(99,368)	(80,171)	(179,539)
Amount to be funded in the future	(1,464,584)	544,673	(919,911)
Net investment in capital assets			4,077,331
			3,453,803
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	62,700		62,700
Restricted surplus - Boroughs	92,515		92,515
Restricted surplus - Specific projects	20,809	3,768	24,577
Restricted surplus - Other purposes	17,312	2,719	20,031
	193,336	6,487	199,823
Financial reserves and reserved funds			
Financial reserves			
Water management	35,422	103,963	139,385
Management of road network		14,092	14,092
	35,422	118,055	153,477
Reserved funds			
Parks and playing fields	10,085		10,085
Working capital	2,272		2,272
Balance of closed-loan by-laws	4,828		4,828
Parking areas	3,871		3,871
Other	3,337		3,337
	24,393		24,393
	59,815	118,055	177,870
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(20,747)	(20,747)
Employee future benefits			
Pension plan	(204,857)	623,624	418,767
Other plans	(96,320)	(9,914)	(106,234)
	(301,177)	613,710	312,533
Long-term financing of operating activities	(1,163,407)	(48,290)	(1,211,697)
	(1,464,584)	544,673	(919,911)

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
Remuneration		
Elected officials	9,352	**10,865**
Employees	695,027	**713,128**
Employer contributions		
Elected officials	3,141	**3,634**
Employees	332,333	**368,023**
Transportation and communication	25,686	**26,835**
Professionnal, technical and other services		
Professional fees	24,551	**24,273**
Purchase of technical services	212,228	**169,929**
Other	2,181	**1,983**
Leasing, maintenance and repairs		
Leasing	89,028	**83,657**
Maintenance and repairs	50,122	**43,639**
Durable goods		
Construction		**10,997**
Other durable goods	16,301	**750**
Non-durable goods		
Delivery of public services	49,997	**48,856**
Other non-durable goods	100,505	**96,276**
Financing expenses		
Interest and other charges on long-term debt borne by:		
The municipality	189,257	**190,956**
Government of Québec and its enterprises	22,952	**24,346**
Other third parties	46,764	**24,078**
Other financing expenses	1,310	**3,091**
Contributions to organizations		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,668,196	**1,667,048**
Société de transport de Montréal		
Montréal Metropolitan Community	25,449	**25,034**
Reconstituted municipalities		
Other	6,294	**5,906**
Government organizations		
Agence métropolitaine de transport		
Other		**49**
Other organizations	63,619	**79,362**
Other items		
Doubtful account or bad debts	6,312	**9,932**
Other	(101,550)	**(100,317)**
	3,539,055	**3,532,330**

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				9,352	**10,865**	8,737
794,351	**789,327**			1,489,378	**1,502,455**	1,447,680
				3,141	**3,634**	3,621
385,494	**414,362**			717,827	**782,385**	192,613
15,465	**15,624**			41,151	**42,459**	45,378
15,087	**13,373**		**(213)**	39,638	**37,433**	42,703
99,307	**90,360**	(721)	**(2,219)**	310,814	**258,070**	228,981
754	**770**			2,935	**2,753**	2,665
38,338	**35,258**	(32,830)	**(32,868)**	94,536	**86,047**	78,567
32,350	**28,302**	(7,989)	**(9,354)**	74,483	**62,587**	57,582
	4,781				**15,778**	19,688
5,714	**199**	(29)	**(199)**	21,986	**750**	6,010
36,620	**32,163**			86,617	**81,019**	79,386
44,602	**39,609**			145,107	**135,885**	126,348
97,270	**93,775**			286,527	**284,731**	289,064
53,178	**50,656**			76,130	**75,002**	78,086
				46,764	**24,078**	27,093
104	**1,380**			1,414	**4,471**	4,000
		(1,668,196)	**(1,667,048)**			
387,900	**389,013**			387,900	**389,013**	400,517
4,551	**4,476**			30,000	**29,510**	29,707
						508
41,156	**22,188**			47,450	**28,094**	25,731
47,701	**47,701**			47,701	**47,701**	42,611
9,933	**10,240**			9,933	**10,289**	9,932
34,079	**34,083**			97,698	**113,445**	102,982
1,868	**9,661**			8,180	**19,593**	24,046
173,284	**166,617**			71,734	**66,300**	94,940
2,319,106	**2,293,918**	(1,709,765)	**(1,711,901)**	4,148,396	**4,114,347**	3,469,176

2011 Municipal Administration Financial Reporting

Water Management

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares - Water service		
Quota shares - Drinking water supply		
Quota shares - Water financial reserve		
Quota shares - TECQ Investment Financing		
Wastewater fees and the sale of Charlemagne drinking water		
Contribution to improve water service	140,373	**140,576**
Flat rate and meter fees	23,110	**23,805**
Other revenues from local sources	1,746	**1,223**
Transfers		**(6)**
User fees - Drinking water - Reconstituted municipalities	177,685	**177,685**
	342,914	**343,283**
Expenditures		
Quota shares for financing urban agglomeration activities	211,418	**210,269**
Expenditures	80,305	**72,617**
	291,723	**282,886**
Recovery plan		**3,438**
Surplus before financing and allocations	51,191	**56,959**
Financing		
Repayment of long-term debt (1)	40,597	**39,557**
Allocations		
Capital asset financial activities		**15**
Restricted surplus		
Financial reserves - Water management	(10,594)	**(17,417)**
	(10,594)	**(17,402)**
Operating surplus (deficit) for tax purposes for the year		

(1) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. For the purpose of this table, the repayment of long-term debt includes financing expenses.

(2) Interjurisdictional transactions have been eliminated.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
111,107	**111,107**	(90,143)	**(90,143)**	20,964	**20,964**	22,046
51,502	**50,240**	(47,202)	**(46,053)**	4,300	**4,187**	3,173
91,300	**91,300**	(74,073)	**(74,073)**	17,227	**17,227**	14,091
2,069	**2,069**			2,069	**2,069**	780
4,674	**4,374**			4,674	**4,374**	4,827
				140,373	**140,576**	113,114
				23,110	**23,805**	22,110
333	**1,077**			2,079	**2,300**	2,545
					(6)	(65)
				177,685	**177,685**	177,140
260,985	**260,167**	(211,418)	**(210,269)**	392,481	**393,181**	359,761
		(211,418)	**(210,269)**			
169,778	**155,501**			250,083	**228,118**	204,523
169,778	**155,501**	(211,418)	**(210,269)**	250,083	**228,118**	204,523
	6,127				**9,565**	
91,207	**98,539**			142,398	**155,498**	155,238
42,861	**39,215**			83,458	**78,772**	86,409
	(3,677)				**(3,662)**	(2,056)
	(2)				**(2)**	3,105
(48,346)	**(55,645)**			(58,940)	**(73,062)**	(69,878)
(48,346)	**(59,324)**			(58,940)	**(76,726)**	(68,829)

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

NON-CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	65,134	**59,255**
Other revenues		
	65,134	**59,255**
Acquisition of capital assets		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	110,183	**64,557**
Buildings		**64**
	110,183	**64,621**
Deficit before financing and allocations	(45,049)	**(5,366)**
Financing		
Long-term financing of capital asset activities	20,249	**31,747**
Allocations		
Operating activities		**(15)**
Restricted operating surplus		
Financial reserves - Water management	24,800	**815**
	24,800	**800**
Surplus of capital asset activities for tax purposes for the year		**27,181**

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011				2010
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
115,281	**53,552**	180,415	**112,807**	112,761
	37		**37**	129
115,281	**53,589**	180,415	**112,844**	112,890
179,887	**86,011**	179,887	**86,011**	100,364
51,352	**19,158**	51,352	**19,158**	19,529
17,100	**6,516**	127,283	**71,073**	55,869
1,799	**1,178**	1,799	**1,242**	818
250,138	**112,863**	360,321	**177,484**	176,580
(134,857)	**(59,274)**	(179,906)	**(64,640)**	(63,690)
42,353	**18,122**	62,602	**49,869**	33,239
	3,677		**3,662**	2,056
				480
92,504	**47,371**	117,304	**48,186**	51,255
92,504	**51,048**	117,304	**51,848**	53,791
	9,896		**37,077**	23,340

2011 Municipal Administration Financial Reporting

Breakdown of Mixed Expenditures

Vérificateur **général**
de la Ville de Montréal

INDEPENDENT AUDITOR'S REPORT

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and agglomeration responsibilities for the year ended December 31, 2011. This breakdown has been determined by management based on by-laws RCG06-054 and RCG06-054-1 adopted by the Agglomeration Council respectively on December 13, 2006 and December 18, 2008 (hereinafter "the regulatory requirements").

Management's Responsibility for the Breakdown of Mixed Expenditures

Management is responsible for the preparation of the Table of Breakdown of Mixed Expenditures in accordance with the regulatory requirements and for such internal control as management determines is necessary to enable the preparation of a table of breakdown of mixed expenditures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the Table of Breakdown of Mixed Expenditures based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Table of Breakdown of Mixed Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the preparation of the Table of Breakdown of Mixed Expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table of Breakdown of Mixed Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the table.

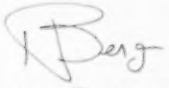
Vérificateur **général**
de la Ville de Montréal

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and agglomeration responsibilities for the year ended December 31, 2011 was prepared, in all material respects, in accordance with the regulatory requirements.

Auditor General of Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, May 28, 2012

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2011

TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
Expenditures		
General administration	122,718	**109,833**
Public security		
Transportation	9,831	**6,649**
Environmental hygiene	5,820	**4,595**
Health and welfare	1,918	**2,013**
Urban planning and development	33,591	**30,841**
Recreation and culture	7,210	**7,082**
Total expenditures	181,088	**161,013**

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
100,675	**101,095**	(3,232)	**(3,248)**	220,161	**207,680**	197,963
						23
1,345	**1,327**		**(13)**	11,176	**7,963**	6,978
7,601	**6,512**			13,421	**11,107**	6,884
2,173	**2,126**			4,091	**4,139**	4,579
10,470	**9,898**		**(1)**	44,061	**40,738**	46,683
6,014	**5,778**			13,224	**12,860**	10,720
128,278	**126,736**	(3,232)	**(3,262)**	306,134	**284,487**	273,830

Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes
December 31, 2011

1- MIXED EXPENDITURES

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the urban agglomeration responsibilities. Under this Act, expenditures incurred by the Ville de Montréal in carrying out by the municipal administration an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the Urban Agglomeration Council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-laws RCG06-054 and RCG 06-054-1, adopted by the Urban Agglomeration Council on December 13, 2006 and December 18, 2008, respectively.

Therefore, the portion of a mixed expenditure related to transportation, environmental hygiene, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising agglomeration powers, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by one or more support units in the exercise of agglomeration powers is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures and contingency expenditures. The administrative expenditure rate is calculated annually on the basis of criteria set out in the above-mentioned by-laws. The rate applicable in 2011 was 6.37%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2011 Budget.

3- SIGNIFICANT ACCOUNTING POLICIES

The Breakdown of Mixed Expenditures Table for the municipal administration is prepared in accordance with Canadian public sector accounting standards using the same accounting policies as those described in Note 2 to the consolidated financial statements of Ville de Montréal for the year ended December 31, 2011.

By their very nature, the mixed expenditures for the municipal administration do not include any tax reconciliation items.

Published by the
Ville de Montréal
Service des finances
Direction de la comptabilité
et du contrôle financier

155, rue Notre-Dame Est
Montréal (Québec)
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Legal deposit 2nd quarter 2012
Bibliothèque nationale du Québec
ISBN: 978-2-7647-1080-7

Graphic and Printing
Ville de Montréal
Studio de design graphique
000688-1767

Printed in Canada

Printed on recycled paper